

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2474 - SB 2610

March 9, 2018

SUMMARY OF BILL: Opens eligibility for the Individualized Education Account (IEA) program to any student with an individualized education program (IEP).

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$241,900/FY19-20/Department of Education

\$272,700/FY20-21/Department of Education

\$307,500/FY21-22/Department of Education

Exceeds \$307,500/FY22-23 and Subsequent Years/Department of Education

Increase State Expenditures –

\$621,000/FY18-19/General Fund

\$240,900/FY19-20 and Subsequent Years/Department of Education

Other Fiscal Impact – For local education agencies (LEAs) with students that opt to participate in the IEA program, the net shift of state and required local BEP funding from these LEAs to the participating entities is estimated as follows: \$3,789,900 in FY19-20; \$4,271,700 in FY20-21; \$4,817,800 in FY21-22; and amounts exceeding \$4,817,800 in FY22-23 and subsequent years.

Assumptions:

- Under current law, Tenn. Code Ann. § 49-10-1402, to be eligible for the IEA program, a student must have an IEP and be enrolled in a public school for the two preceding semesters, be attending a Tennessee school for the first time, and have one or more of the following disabilities:
 - Autism
 - Deaf-blindness
 - Hearing impairments
 - Intellectual disability
 - Orthopedic impairments
 - Traumatic brain injury
 - Visual impairments
 - Developmental delay
 - Multiple disabilities

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Assumptions Relative to Local Expenditures and BEP transfer:

- Since the IEA deadline is March 30, 2018, it is assumed that the provisions of the legislation in regard to new participants and the subsequent transfers of BEP funds will be incorporated in the FY19-20 school year.
- Though the exact number of additional participating students is unknown, it is reasonably estimated that a minimum of 562 additional students will participate beginning in FY19-20 as a result of the legislation. This is equivalent to at least one half of one percent of the additional eligible population of 112,352 as projected by the DOE.
- The number of participating students is estimated to grow by five percent per year.
- The number of forecasted participants are listed in the table below:

FY	19-20	20-21	21-22
Number Students	562	618	680

- In order to participate in the IEA program, the student must have an Individualized Education Plan (IEP).
- State and local BEP funds will shift from LEAs to IEAs for the new participating students.
- The per pupil expenditure (PPE) is estimated to be \$7,174, which makes up state and local funds transferred to individualized education accounts.
- The PPE is estimated to increase by 2.5 percent per year.
- The forecasted PPE is listed in the table below

FY	19-20	20-21	21-22
Shifted Funds	\$7,174	\$7,353	\$7,537

- The gross shift in state and local BEP funding is listed in the table below:

FY	19-20	20-21	21-22
Gross Funds Shifted	\$4,031,788	\$4,544,370	\$5,125,285

Assumptions Relevant to State Revenue:

- Pursuant to Tenn. Code Ann. § 49-10-1405(b), the DOE will retain a six percent administrative fee from BEP funds otherwise shifting to participating schools as a result of additional students participating in the IEA program beginning in FY18-19.
- The increase in state administrative fee revenue to the DOE for IEA administration is estimated in the table below:

State Admin Fee	FY19-20	FY20-21	FY21-22
6%	\$241,907	\$272,662	\$307,517

- The increase in state administrative fee revenue is estimated to exceed \$307,517 in FY22-23 and subsequent years.
- The net forecasted shift from LEAs to IEAs is listed in the table below:

FY	19-20	20-21	21-22
Net Funds Shifted	\$3,789,881	\$4,271,708	\$4,817,768

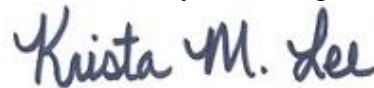
- In FY22-23 and subsequent years, the net shift in state and local BEP funds, will exceed \$4,817,768.

Assumptions Relevant to Additional State Expenditures:

- Beginning in January of FY18-19, the DOE will require one additional accountant position to process applications and administer the additional IEA accounts.
- This will result in an increase in state government expenditures of \$42,112 (\$18,318 salary + \$10,294 benefits + \$13,500 onboarding and indirect costs) in FY18-19 and \$61,969 (\$36,636 salary + \$13,333 benefits + \$12,000 indirect costs) in FY19-20 and subsequent years.
- There will be additional expenditures of \$578,929 (\$53,929 Brochures + \$20,000 Translation and interpretation + \$5,000 Appeals + \$500,000 online application development) in FY18-19 and \$178,929 (\$53,929 Brochures + \$20,000 Translation and interpretation + \$5,000 Appeals + \$100,000 online portal and funding system updates) in FY19-20 and subsequent years.
- The DOE will not begin receiving administrative funding until FY19-20; therefore, expenditures in FY18-19 will require an appropriation from the General Fund.
- The total increase in state expenditures from the General Fund is estimated to be \$621,041 (\$42,112 + \$578,929) in FY18-19; and from DOE administrative funding is estimated to be \$240,898 (\$61,969 + \$178,929) in FY19-20 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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